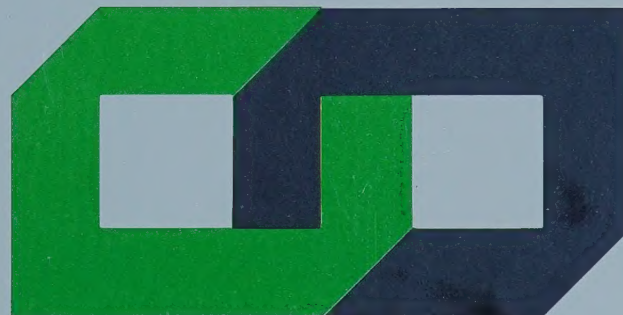


**REALTY CAPITAL CORP. LIMITED**

**County Savings and Loan Corporation**

**Federal Trust & Savings Company**



**Annual Reports 1972**

## Summary of Consolidated Results

	<u>1972</u>	<u>1971</u>	<u>% Increase</u>
Earnings Summary			
Total Income	\$ 4,801,000	\$ 3,530,000	36
Interest Charges	2,451,000	1,859,000	32
Expenses	1,246,000	1,000,000	25
Income Taxes	462,000	313,000	48
Earnings for the year	642,000	358,000	79
Return on average Shareholders' Equity	23.2%	18.4%	26
Shareholder Items (per Class A share)			
Earnings for the year*	\$ 1.02	\$ 0.74	38
Dividends	0.20	0.20	—
Equity**	4.88	4.31	13
Other Data**			
Total Assets	\$53,356,000	\$44,389,000	20
Shareholders' Equity	3,457,000	2,073,000	67
Number of Shares Outstanding:			
Class A	533,946	306,375	74
Common	174,400	174,400	—
Number of Class A Shareholders	764	551	39

\* based on weighted average number of shares outstanding during the year.

\*\* at December 31, 1972

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*Featured on the cover of this year's annual report is the new symbol of the Corporation. The symbol's most evident use will be at branch locations of Federal Trust & Savings Company. It will also be used by other subsidiaries to identify their relationship to Realty Capital Corp. Limited.*



## Realty Capital Corp. Limited

### *Directors:*

David S. Ades, *B.Sc., A.M.C.T.*

*President,*

Realty Capital Corp. Limited

County Savings and Loan Corporation

Federal Trust & Savings Company

Jeanne Ades,

Ralph E. Ades,

*Chairman of the Board*

Roger I. Coe, *C.A.*

*Vice-President & Treasurer,*

Realty Capital Corp. Limited

County Savings and Loan Corporation

Federal Trust & Savings Company

William G. Durst, *F.R.I.*

*Vice-President,*

Harvey Keith Real Estate Limited, Toronto

Pierre Genest, *Q.C.*

*Partner,*

Cassels, Brock, Toronto

Peter Mackenzie,

*Vice-President & Director,*

Dominion Securities Corporation Limited, Montreal

Gerald Rose, *S.R.A.*

*Vice-President & Secretary,*

Realty Capital Corp. Limited

County Savings and Loan Corporation

Federal Trust & Savings Company

Robert E. Smith,

*Partner,*

Baar, Bennett and Fullen, New York

Wilfred J. Wilson,

*Vice-President,*

Teachers' Insurance and Annuity Association of America  
and College Retirement Equities Fund, New York

### *Officers:*

Ralph E. Ades, *Chairman*

\*David S. Ades, *B.Sc., A.M.C.T., President*

\*Gerald Rose, *S.R.A., Vice-President & Secretary*

\*Roger I. Coe, *C.A., Vice-President & Treasurer*

\*Consiglio Di Nino, *Vice-President*

### *Auditors:*

Clarkson, Gordon & Co.,

*Chartered Accountants, Toronto*

### *Trustees and Transfer Agent:*

Common Shares and Secured Certificates

Guaranty Trust Company of Canada, Toronto

Class A Shares and Subordinated Debentures

Montreal Trust Company, Toronto

### *Bankers:*

Royal Bank of Canada

Canadian Imperial Bank of Commerce

### *Legal Counsel:*

Cassels, Brock

*Barristers & Solicitors, Toronto*

\*Members of Executive Committee



## CORPORATE STRUCTURE

The corporate structure of Realty Capital Corp. Limited was reorganized during 1972 in order to streamline operations and promote the development of the recently formed trust company subsidiary, Federal Trust & Savings Company. Toward this end the company's savings and loan subsidiaries were amalgamated into County Savings and Loan Corporation. Within this revised corporate structure, Federal Trust & Savings Company was formed and is now a 99% held subsidiary of County Savings and Loan Corporation.

Companies in the Realty Capital group are organized along divisional lines with the Trust and Savings Division playing the dominant role. The Mortgage and Real Estate Divisions complement the services offered by the Trust and Savings Division and for this reason enable Realty Capital to provide both individuals and corporations with a comprehensive range of financing and real estate services.

### Trust and Savings Division

**Federal Trust & Savings Company**

**County Savings and Loan Corporation**

The activities of the Trust and Savings Division are carried out through six branch locations in metropolitan Toronto, which, in effect, operate as combined branches of the two component companies. This approach has been adopted as a

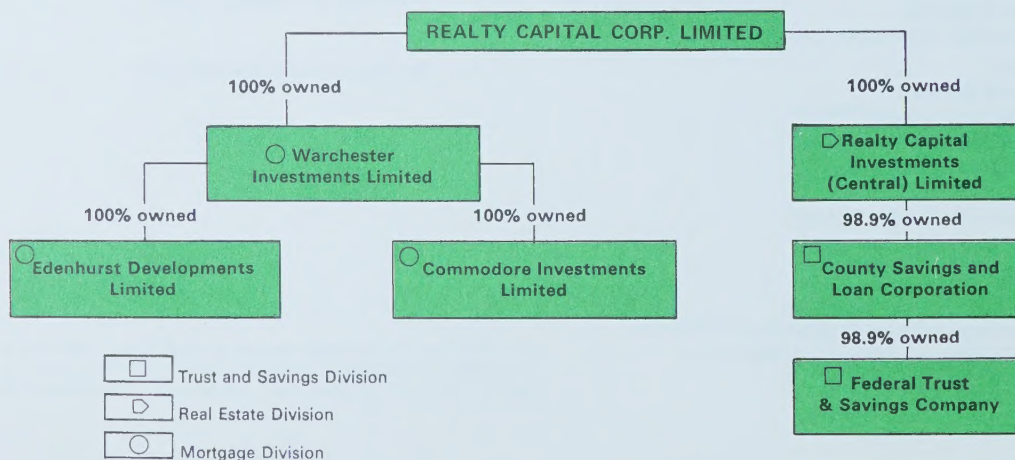
means of progressively introducing new trust company services into existing savings and loan branches. These locations are currently being revamped to feature the Federal Trust name and all new branches will highlight the Federal Trust identity.

Federal Trust and County Savings are both approved lenders under the National Housing Act and members of the Canada Deposit Insurance Corporation. Through existing branches, customer services currently include: savings, chequing and current accounts; mortgage loans; travellers cheques; foreign remittances; consumer loans; term deposit certificates; guaranteed investment certificates; debentures and registered retirement savings plans. Plans call for the opening of two new branches during the current year, one in Toronto and the other in Brampton.

### Real Estate Division

**Realty Capital Investments (Central) Limited**

The Real Estate Division is engaged in the acquisition of industrial and commercial properties and their subsequent development or sale. Existing land holdings which comprise approximately 500 acres, fall into three categories: one, parcels subject to expropriation in connection with the new Pickering airport; two, lands currently under development, such as the Markham condominium project; and three, real estate held for further development or sale.





The present intention is that all lands acquired by the corporation in the future will be used for development purposes.

**Mortgage Division**

- Warchester Investments Limited
- Commodore Investments Limited
- Edenhurst Developments Limited

On its own behalf and as agents for others, Commodore Investments provides builders and real estate developers with bridge and interim financing. As agent it also earns fees for the management of mortgage portfolios. It is a registered mortgage broker and also provides permanent secondary financing on real estate. Warchester Investments acquires, generally for longer term investment (of up to five years), secondary mortgages and higher risk first mortgages. In effect these two subsidiaries complement the N.H.A. and conventional mortgage financing functions provided by the Trust and Savings Division.

Edenhurst Developments holds a mortgage taken back on a land sale.

**Summary**

It is intended to simplify the structure of the corporation and its subsidiaries during the current year, and in future to participate in any new business areas through directly held subsidiary companies. The planned realignment of subsidiaries is illustrated on the opposite page. This will facilitate the corporation's expansion into additional financial areas while retaining its flexibility to respond to changing market conditions. In many ways such a structure is similar to that of U.S. bank holding companies.



Above left: A branch office of Federal Trust & Savings Company offers services of both the trust company and County Savings and Loan Corporation. Above right: Century Twenty-One, a 42 storey residential, commercial and office complex is under construction in downtown Hamilton, Ontario. Realty Capital Corp. arranged and participated in the financing of this \$10 million project scheduled for completion in early 1974.

**Assets**

6% Mortgage Division
7% Real Estate Division
87% Trust and Savings Division

**Sources of Gross Income**

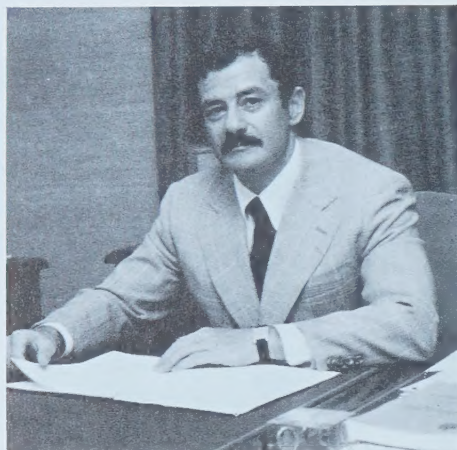
9% Mortgage Division
10% Real Estate Division
81% Trust and Savings Division

**Application of Gross Income**

10% Income Taxes
13% Net Income
26% Other Expenses
51% Interest Expenses



## PRESIDENT'S REPORT TO SHAREHOLDERS



*David S. Ades, President*

The year 1972 was a period of noteworthy achievement for Realty Capital Corp. Limited in terms of both financial performance and corporate expansion. Externally, operations in the savings and loan field were favourably affected by a resurgent economic climate. In addition the formation late in the year of a 99%-owned trust company subsidiary, Federal Trust & Savings Company, represents a development of major significance to the future growth of the Corporation. These factors were further complemented by the particularly high level of activity within the Real Estate Division.

### Financial Review

In 1972, total income increased 36% to \$4,801,000 from \$3,530,000 in the previous year. Net earnings, including an extraordinary gain of \$45,000 arising from a tax loss carry forward, increased 79% to \$642,000. This compares with net earnings of \$358,000 in 1971.

Based on a weighted average of 632,320 Class A and common shares outstanding, net earnings in 1972 were equivalent to \$0.94 per share before and

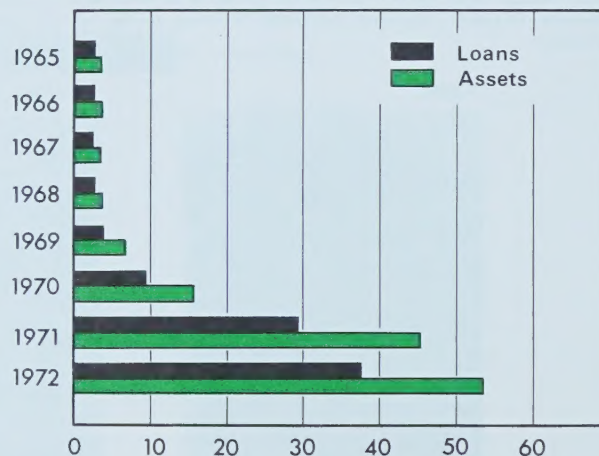
\$1.02 after the extraordinary item. Net earnings in 1971 were \$0.74 per share, on 480,775 shares outstanding.

In the past year the capital of the Corporation was increased by \$500,000 through the conversion of debentures into shares and the exercise of share purchase warrants. This also had the effect of reducing the potential dilution factor. In addition, 106,522 Class A shares of the Corporation were issued in January 1972 to acquire substantially all the remaining shares in County Savings and Loan Corporation not previously owned.

Total assets of the Corporation at year-end stood at \$53,356,000, up 20% from 1971, while shareholders equity increased 67% to \$3,457,000.

Expenses during 1972 totalled \$3,697,000 compared with \$2,859,000 in the previous year. The bulk of this 29% rise is traceable to additional interest costs associated with the growth of deposits in the Trust and Savings Division. The administrative cost component of total expenses increased 25% over last year. It should be noted that the corresponding 1971 expense figure is not fully comparable since it reflects operations of the now amalgamated Federal Savings and Loan Corporation for nine months only.

### Assets and Loans (Millions of Dollars)





## Dividends

Dividends of 20¢ per Class A and common share were paid in 1972. In total this represented a 20% payout on net income. In the current year a 50% dividend increase has been declared in order to improve this payout rate.

## Operations - Trust and Savings Division

Services of the recently formed trust company subsidiary, Federal Trust & Savings Company, are progressively being introduced into the existing branches of your company's savings and loan subsidiary, County Savings and Loan Corporation. To streamline these operations and develop increased public recognition, all branches now highlight the Federal Trust name. Registered Retirement Savings Plans, Guaranteed Investment Certificates and a Real Estate Sales Department have already been introduced, while additional trust services will be progressively offered in the near future. In line with this expansion of services, highly qualified personnel have been added to the company's management group.

Further details on the operations of the Trust and Savings Division are provided in later pages of this annual report.

### - Real Estate Division

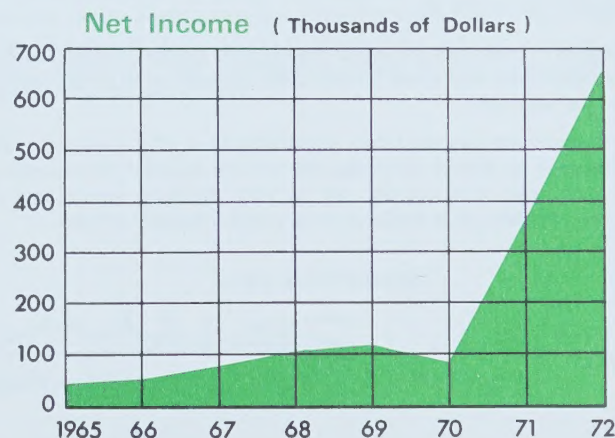
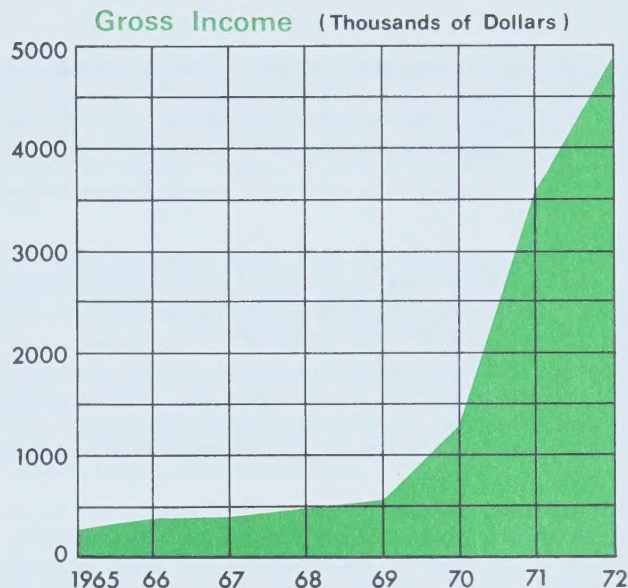
As forecast in last year's annual report, 1972 was a period of excellent performance for the Real Estate Division. Of particular note was the sale of two land parcels in Mississauga, Ontario at a gross profit of approximately \$670,000. Of this total \$459,000 was taken into 1972 income. The balance is being amortized over the life of property mortgages taken back in order to reflect the difference between prevailing mortgage rates and those extended under the land sale agreements.

Profits from these land sales together with mortgage interest will therefore contribute to the company's earnings in future years.

As a percentage of consolidated gross income, profits of the Real Estate Division taken into 1972 accounts was approximately 10%, while as a portion of consolidated net income this represented just over 30%.

### - Mortgage Division

Income from the Mortgage Division which is involved in the allied fields of interim, bridge and secondary mortgage financing declined to \$449,000 in 1972 compared with \$524,000 last year. This reduction is traceable to lower mortgage fee income despite a higher level of income from the mortgage portfolio during 1972.





## Realty Capital Corp. Limited

A significant portion of this division's income in 1972 was derived from construction loans provided in conjunction with conventional mortgage loans extended by the Trust and Savings Division. In this ancillary role the Mortgage Division is expected to generate a substantial rise in income during the coming years.

### Outlook

Prospects for significant corporate growth in the current year appear quite favourable at this point. Contributing to this expected growth should be a marked rise in earnings from the Trust and Savings Division, complemented by stable performance within the Real Estate and Mortgage Divisions.

The introduction of additional trust company services, notably mortgage and securities management, registered retirement savings plans and real estate sales has already indicated a positive influence on this division's operating performance. In addition, continued growth in the long established savings and loan area can be expected.

In the Real Estate Division, construction is progressing well on the corporation's 44-unit condominium development project in the Town of Markham. Current plans call for the completion and sale of these units during the current year. This, together with the announced government plans to expropriate the Corporation's land holdings in Pickering Township should provide for continued real estate sales in the coming year.

In relation to anticipated earnings of the Trust and Savings Division, however, the contribution of the Real Estate Division is not expected to be as significant in the current year as in 1972.

The directors wish to extend their appreciation to all officers and employees of the Corporation for their conscientious efforts in the past year. We also wish to thank all shareholders both old and new for their continued support, and to encourage them to make use of the Corporation's various financial services.

On behalf of the board,

David S. Ades, President

May 1, 1973

*Management committee from left to right: Gerald Rose, vice-president and secretary; David Ades, president; Roger Coe, vice-president and treasurer; and Consiglio DiNino, vice-president, confer on policy.*





## Management Viewpoints

In general, the North American economy seems to be progressing at a stable rate which should be maintained throughout the balance of the year. Attendant upon this trend, the developing upward pressure on domestic interest rates is expected to become more evident as the year progresses. While funds are currently in relatively plentiful supply, the policies of the Federal Government, as implemented by the Bank of Canada, may alter this situation.

Unfortunately, the monetary and debt management policies of the Federal Government have historically been unpredictable. Rarely has the public and the financial community been apprised of policy intentions and for this reason, heavy swings in the availability of funds have frequently occurred. It is our opinion that these swings and the consequent fluctuations in interest rates are not fully consistent with the needs of the public and the financial community. Alternatively, it is our view that Ottawa's intentions be communicated prior to their implementation in order to provide the necessary lead time for institutions and individuals to adjust their lending budgets.

On balance, the downward pressures under which the U.S. and Canadian dollars have come in recent months, represent a favourable development for the North American economy. Accompanying this realignment in international currencies should be a gradual improvement in North American balance of payments positions and a stimulation of employment through higher consumption of goods produced on this continent. Provided that inflation is held to reasonable annual increments, these developments should provide a favourable economic climate in the foreseeable future.



# Realty Capital Corp. Limited

(Incorporated under the laws of Ontario)

## Consolidated Balance Sheet

December 31, 1972

(with comparative figures at December 31, 1971)

Assets	1972	1971
Mortgages receivable (note 3)	\$36,842,000	\$28,580,000
Securities (note 4)	7,279,000	6,290,000
Real estate held for development and/or sale (note 5)	3,631,000	3,642,000
Cash and bank deposit receipts	2,905,000	4,048,000
Office premises and equipment (note 6)	1,327,000	1,100,000
Sundry accounts receivable and prepaid expenses	189,000	340,000
Consumer and demand loans	945,000	202,000
Investment in and advances to joint venture (note 7)	186,000	131,000
Unamortized financing and other expenses	52,000	56,000
	<u>\$53,356,000</u>	<u>\$44,389,000</u>

On behalf of the Board:

David S. Ades, *Director*

Gerald Rose, *Director*

Liabilities	1972	1971
Deposits and debentures (note 8)	\$42,727,000	\$34,498,000
Mortgages payable (note 9)	2,093,000	2,207,000
Long term debt (note 10)	1,811,000	2,005,000
Bank loans (note 11)	2,115,000	2,235,000
Short term note		100,000
Accounts payable and accrued charges	327,000	257,000
Income taxes payable	127,000	111,000
Mortgagors' tax deposits	280,000	321,000
Deferred income taxes	362,000	203,000
Minority interest	41,000	335,000
Excess of net book value of shares of a subsidiary over cost (note 2)	<u>16,000</u>	<u>44,000</u>
	<u>49,899,000</u>	<u>42,316,000</u>

### Shareholders' Equity

Capital (note 12)	2,401,000	1,529,000
Contributed surplus	8,000	8,000
Retained earnings	<u>1,048,000</u>	<u>536,000</u>
	<u>3,457,000</u>	<u>2,073,000</u>
	<u>\$53,356,000</u>	<u>\$44,389,000</u>

*(See accompanying notes to consolidated financial statements)*

### Auditors' Report

To the Shareholders of  
Realty Capital Corp. Limited:

We have examined the consolidated balance sheet of Realty Capital Corp. Limited and its subsidiary companies as at December 31, 1972 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the consolidated financial position of the companies as at December 31, 1972 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
March 29, 1973.

CLARKSON, GORDON & CO.  
Chartered Accountants





Consolidated Statements of Earnings  
And Retained Earnings  
For the Year Ended December 31, 1972

(with comparative figures for 1971)

Earnings	1972	1971
Income:		
Income from mortgages (note 3)	\$3,388,000	\$2,551,000
Income from securities (note 4)	721,000	553,000
Profit on mortgage and real estate sales	337,000	125,000
Joint venture income (note 7)	121,000	
Mortgage brokerage fees	82,000	205,000
Other income	152,000	96,000
	<u>4,801,000</u>	<u>3,530,000</u>
Expenses and other deductions:		
Interest on —		
Deposits and debentures	2,211,000	1,636,000
Long term debt	138,000	153,000
Bank loans and other debt	102,000	70,000
	<u>2,451,000</u>	<u>1,859,000</u>
Administrative and general expenses	1,192,000	905,000
Amortization of financing and other expenses	11,000	10,000
Depreciation and amortization	39,000	43,000
Minority interest	4,000	42,000
	<u>3,697,000</u>	<u>2,859,000</u>
Earnings before income taxes and extraordinary item	<u>1,104,000</u>	<u>671,000</u>
Income taxes:		
Current	348,000	244,000
Deferred	159,000	69,000
	<u>507,000</u>	<u>313,000</u>
Earnings before extraordinary item	<u>597,000</u>	<u>358,000</u>
Reduction in income taxes of a subsidiary resulting from the carry forward of losses of prior years	45,000	
Earnings for the year (note 13)	<u>\$ 642,000</u>	<u>\$ 358,000</u>
Retained Earnings		
Balance, beginning of year	\$ 536,000	\$ 274,000
Earnings for the year	642,000	358,000
	<u>1,178,000</u>	<u>632,000</u>
Deduct:		
Dividends paid -		
Class A shares	95,000	61,000
Common shares	35,000	35,000
	<u>130,000</u>	<u>96,000</u>
Balance, end of year	<u>\$1,048,000</u>	<u>\$ 536,000</u>

(See accompanying notes to consolidated financial statements)

**Consolidated Statement of Changes in Financial Position  
For the Year Ended December 31, 1972**

(with comparative figures for 1971)

	1972	1971**
Sources:		
Earnings for the year*	\$ 810,000	\$ 521,000
Increase in deposits and debentures	8,229,000	26,560,000
Issue of additional share capital (note 12(b))	872,000	
Decrease (increase) in cash, bank deposit receipts and securities	154,000	(8,234,000)
	<u>\$10,065,000</u>	<u>\$18,847,000</u>
Dispositions:		
Decrease (increase) in bank loans	\$ 120,000	\$ (1,725,000)
Decrease (increase) in mortgages payable	114,000	(54,000)
Decrease (increase) in mortgagors' tax deposits	41,000	(321,000)
Excess of cost over net book value of shares in a subsidiary (note 2)	28,000	(4,000)
Increase in mortgages receivable less unamortized discounts and placement fees thereon	8,262,000	19,532,000
Increase in real estate held for development and/or sale and investment in joint venture	44,000	311,000
Increase in premises and equipment	266,000	946,000
Dividends paid	130,000	96,000
Repayment of short-term note	100,000	
Repayment of long-term debt (note 10)	194,000	63,000
Increase in consumer loans	743,000	122,000
Net other dispositions (sources)	23,000	(119,000)
	<u>\$10,065,000</u>	<u>\$18,847,000</u>

\*After adding back (deducting) depreciation, amortization of financing expenses, deferred income taxes, reduction in income taxes resulting from the carry forward of prior years' losses and minority interest (1972 - \$168,000; 1971 - \$163,000).

\*\*Includes assets and liabilities of Federal Savings and Loan Corporation acquired in 1971.

*(See accompanying notes to consolidated financial statements)*



# Realty Capital Corp. Limited

## Notes to Consolidated Financial Statements December 31, 1972

### 1. Principles of consolidation

The consolidated balance sheet includes the accounts of Realty Capital Corp. Limited and all of its subsidiary companies as listed below:

Company	Ownership	
	1972	1971
Commodore Investments Limited	100%	100%
Warchester Investments Limited	100%	100%
Realty Capital Investments (Central) Limited	100%	100%
Edenhurst Developments Limited	100%	100%
County Savings and Loan Corporation*	99%	54%
Federal Savings and Loan Corporation*	99%	98%
Federal Trust & Savings Company, included in 1972, from date of incorporation	98%	

\*These corporations were amalgamated effective December 31, 1972 and will continue under the name of County Savings and Loan Corporation.

The consolidated statement of earnings includes the earnings of the above subsidiaries from their respective effective dates of acquisition. All such acquisitions were accounted for using the purchase method of accounting.

### 2. Acquisition of business

The particulars of the acquisition of additional shares in County Savings and Loan Corporation during the year are as follows:

	1972 (000 omitted)
Assets acquired:	
Mortgages, securities, office premises and equipment and other assets at the book value of the vendors	\$4,924
Adjustment to fair value	81
Goodwill	26
	<u>5,031</u>
Consideration given:	
Deposits, debentures and other liabilities assumed	\$4,627
Adjustment to fair value	23
Shares	369
Cash	12
	<u>\$5,031</u>

As a result of the above purchase the company acquired a further 45% interest in County Savings and Loan Corporation (46% before the sale of shares to individuals to meet the requirements of The Loan and Trust Corporations Act - see note 12(b)).

Goodwill of \$26,000 arising on the County Savings and Loan Corporation acquisition has been offset against the amount of \$44,000, which represented the excess of net book value over cost on previous acquisitions of shares of that corporation. The remaining amount of \$18,000 is being amortized over five years commencing with amortization of \$2,000 in 1972.

The difference between the fair value (cost) of the securities, mortgages receivable, building and debenture debt acquired and their book value, arising on the acquisition of County Savings and Loan Corporation in 1972 and Federal Savings and Loan Corporation in 1971, is being amortized over the terms to maturity of the securities, mortgages and debentures and over the estimated life of the building. The goodwill is being amortized as previously noted. The net amounts credited to earnings were \$45,000 in 1972 and \$108,000 in 1971.

### 3. Mortgages receivable

Mortgages receivable are carried on the balance sheet at their outstanding principal amount, plus accrued interest and less unamortized discounts and deferred placement fees and allowances for losses. Purchase discounts in the wholly-owned subsidiaries are amortized on a straight-line basis over the terms of the mortgages. In County Savings and Loan Corporation (the amalgamated corporation - see note 1) these items relating to mortgages of the former County Savings and Loan Corporation are amortized on a straight-line basis over the terms of the mortgages or five years, whichever is the lesser, whereas these items relating to the mortgages of the former Federal Savings and Loan Corporation are amortized over the terms of the mortgages based on the sum-of-the-digits method. The amalgamated corporation will adopt the straight-line method for all new mortgage discounts and placement fees and allow the existing unamortized discounts and placement fees of \$184,000 in the accounts of Federal Savings and Loan Corporation to be amortized on the basis of that corporation's existing policy.



#### 4. Securities

Bonds are stated at amortized cost plus accrued interest and stocks at cost less amounts written off. Securities held are comprised of the following:

	1972		1971	
	Book Value	Quoted Market Value (000 omitted)	Book Value	Quoted Market Value
Government of Canada and provincial bonds	\$5,008	\$4,801	\$4,272	\$4,276
Municipal and corporate bonds	1,542	1,544	1,423	1,384
Common and preference shares	729	689	595	556
	<u>\$7,279</u>	<u>\$7,034</u>	<u>\$6,290</u>	<u>\$6,216</u>

The government bonds represent the securities held by the company's subsidiaries, County Savings and Loan Corporation and Federal Trust & Savings Company, in accordance with certain requirements under the Loan and Trust Corporations Act.

Included in income from securities are gains of \$49,000 in 1972 and \$90,000 in 1971.

#### 5. Real estate held for development and/or sale

Real estate includes interests in several parcels of land and houses. These properties are valued at cost plus maintenance, carrying and development costs to date. In the opinion of management the market value of this real estate is not in the aggregate less than the amount at which such real estate is carried in the accounts.

#### 6. Office Premises and Equipment

	1972	1971
	(000 omitted)	
Buildings - cost	\$ 620	\$ 441
Furniture and equipment - cost	235	205
	855	646
Less accumulated depreciation	266	218
	589	428
Land - cost	726	656
Leasehold improvements — cost less amounts written off	12	16
	<u>\$1,327</u>	<u>\$1,100</u>

#### 7. Joint Venture

The company has a 25% interest in a limited partnership which owns a mortgage received as partial consideration for the sale of its land holdings. This investment is carried in the company's accounts at cost plus its share of undistributed profits.

#### 8. Deposits and Debentures

Deposits and debentures including accrued interest consist of the following:

	1972	1971
	(000 omitted)	
Debentures and term deposits due within one to five years	\$24,280	\$19,316
Demand deposits	18,447	15,182
	<u>\$42,727</u>	<u>\$34,498</u>

#### 9. Mortgages Payable

The mortgages payable are secured by specific charges on land held for development, certain real estate acquired for sale and the company's premises. They bear interest at rates between 6% and 10-1/4% and call for principal repayment as follows:

	(000 omitted)
1973 . . . . .	\$ 551
1974 . . . . .	332
1975 . . . . .	201
1976 . . . . .	35
1977 . . . . .	179
Subsequent to 1977 . . . . .	795
	<u>\$2,093</u>



## 10. Long Term Debt

Details of the long term debt are as follows:

	<u>1972</u>	<u>1971</u>
	<i>(000 omitted)</i>	
Realty Capital Corp. Limited		
Secured Certificates —		
7%—8% Series 1, due in various amounts to March 1, 1974 (a)	\$ 22	\$ 22
6-3/4% Series 2, due September 23, 1974 (b)	500	500
7% Series 5, \$347,000 (U.S.) principal amount due January 31, 1981, payable \$38,000 (U.S.) annually (b) and (c)	373	414
8% Series 6, \$462,000 (U.S.) principal amount due June 25, 1984, payable \$38,000 (U.S.) annually (b) and (c)	499	540
6-3/4% Subordinated Convertible Debentures Series A, due December 1, 1974 (d)	295	395
8% Subordinated Convertible Debentures Series B, due October 22, 1978 (e)	100	100
Warchester Investments Limited		
7-1/2%-9% loans payable secured by mortgages (f)	<u>22</u>	<u>34</u>
	<u>\$1,811</u>	<u>\$2,005</u>

Principal repayments are called for as follows:

1973 . . . . .	\$ 127
1974 . . . . .	877
1975 . . . . .	82
1976 . . . . .	82
1977 . . . . .	82
Subsequent to 1977 . . . . .	<u>561</u>
	<u>\$1,811</u>

- (a) The Trust Indenture securing the Secured Certificates Series 1 requires the company to, among other things, maintain with the Trustee, mortgages in an amount at least 20% in excess of the certificates outstanding. Under the terms of the Trust Indenture referred to in (b) below, no further Series 1 Certificates may be issued.
- (b) The Trust Indentures securing Secured Certificates Series 2, 3, 5 and 6 require, among other things, that the company will maintain on deposit with the Trustee acceptable collateral (as defined) of a total value of at least 125% of the aggregate principal amount of all outstanding Secured Certificates issued thereunder. The Indentures also contain restrictions as to the total amount of secured and subordinated debt that the company may issue from time to time.
- (c) Long term debt sold in United States funds has been translated at the exchange rate prevailing at the date of issue of the debt. If the debt had been translated at the prevailing exchange rate at December 31, 1972, the liability would be reduced by approximately \$63,000. As debt repayments cover a considerable number of years during which the exchange rates could fluctuate the debt has not been translated at current exchange rates.
- (d) The Subordinated Debentures Series A are convertible into 1 Class A share for every \$4.73 in principal amount thereof up to November 27, 1974.
- (e) The Subordinated Debentures Series B are convertible into Class A shares at the rate of 1 Class A share for every \$4.22 in principal amount of debenture up to October 21, 1973 and 1 Class A share for every \$4.72 in principal amount thereafter up to October 18, 1978.
- (f) The loans payable by Warchester Investments Limited mature prior to December 31, 1973.

## 11. Bank loans

Details of bank loans are as follows:

- (a) A loan of \$915,000 is secured by Secured Certificates Series 3. These Secured Certificates may be issued in unlimited principal amounts at varying interest rates and maturity dates. See note 10(b) for details of the Trust Indenture securing this series.
- (b) A loan of \$1,200,000 is payable on demand, bears interest at the rate of 8-1/2% per annum, or 2% per annum above the bank's prime rate, whichever is greater. Interest is payable monthly. Subject to any demand for payment, the company has acknowledged to its bankers its intention to repay the loan over a period up to March 31, 1976. The loan is secured by second mortgages on certain parcels of land, a pledge of the company's interest in a joint venture and a floating charge on certain other assets.

## 12. Share capital

### (a) Details of authorized and issued capital:

#### Authorized —

1,000,000 cumulative (20¢) non-voting  
participating Class A shares without par  
value  
360,000 common shares without par value

<u>1972</u>	<u>1971</u>
<i>(000 omitted)</i>	

#### Issued —

533,946 Class A shares (1971 - 306,375

Class A shares)

<u>\$2,067</u>	<u>\$1,195</u>
----------------	----------------

174,400 common shares

<u>334</u>	<u>334</u>
<u>\$2,401</u>	<u>\$1,529</u>

### (b) During 1972, 227,571 Class A shares were issued for a total consideration of \$872,000 as follows:

Class A shares issued at an assigned  
value of \$372,827 in exchange  
for 53,621 shares of County  
Savings and Loan Corporation

106,522	shares
---------	--------

Class A shares issued through  
exercise of 60,000 Series E  
warrants and 40,000 Series D  
warrants with a total  
consideration of \$400,000 cash

100,000	shares
---------	--------

Class A shares issued by conversion  
of \$99,500 Series A 6-3/4%  
Subordinated Debentures plus  
\$62 cash

<u>21,049</u>	shares
<u>227,571</u>	shares

### (c) At December 31, 1972 share warrants were outstanding which entitled the holders to acquire one Class A share for each warrant held as follows:

	<u>Exercisable to</u>	<u>Exercise price</u>	<u>Class A shares reserved for exercise</u>
Series A	October 1, 1974	\$4.73	30,000
Series C	{ February 15, 1974 { February 15, 1979	4.50 { 5.00 {	155,000
Series E	June 25, 1984	4.00	<u>10,000</u>
			<u>195,000</u>

### (d) At December 31, 1972 the company's authorized but unissued Class A shares were reserved to the following extent:

For issue under share purchase warrants presently outstanding (see (c) above)	195,000 shares
---	----------------

For issue under conversion privileges attached to the:	
6 - 3 / 4 % Subordinated Debentures (see note 10(d) above)	62,367 shares
8% Subordinated Debentures (see note 10 (e) above)	<u>23,696</u> shares
	<u>281,063</u> shares

### (e) The Trust Indenture covering the issue of the Secured Certificates provides, among other things, that dividends cannot be paid if they exceed in the aggregate an amount equal to one-half of the consolidated net earnings since January 1, 1965 to the date of such dividend.





### 13. Earnings per share

Earnings per share are based on the weighted average number of shares outstanding during each year.

	<u>Applicable to</u> <u>outstanding shares</u>		<u>Fully</u> <u>diluted</u>
	<u>1972</u>	<u>1971</u>	<u>1972</u>
Earnings before extraordinary item:			
Class A	\$0.94	\$0.74	\$0.67
Common	0.94	0.74	0.67
Earnings for the year:			
Class A	1.02	0.74	0.71
Common	1.02	0.74	0.71

Fully diluted earnings per share reflect the effect which would result if all share warrants with dilutive effects outstanding at the end of the period and all Subordinated Convertible Debentures had been exercised or converted at the beginning of the period. For the purpose of these calculations earnings of \$61,000 have been imputed at an after tax rate of 4%.

### 14. Other

- (a) At December 31, 1972 the company had mortgage commitments totalling approximately \$4,000,000.
- (b) The company is contingently liable in the amount of \$181,000 for the portion of mortgages assumed by joint participants in certain land held for development.
- (c) Subsequent to December 31, 1972 the company acquired 10 shares and an option on a further 14,990 shares of Federal Savings and Loan Corporation from a former officer of that corporation for \$15,000. This option now entitles the company to acquire 29,980 shares of County Savings and Loan Corporation (the amalgamated corporation — see note 1) at \$5.50 per share to June 30, 1974.

- (d) The aggregate remuneration paid or accrued by the company and its subsidiaries to directors and senior officer (as defined by the Business Corporations Act, 1970 Ontario) amounted to \$246,000 in 1972 and \$159,000 in 1971. The 1971 amount included the remuneration of two employees not considered to be part of the company's management.
- (e) For comparative purposes certain 1971 accounts have been reclassified to conform with classifications adopted in 1972.



## County Savings and Loan Corporation Federal Trust & Savings Company

### *Directors:*

David S. Ades, *B.Sc., A.M.C.T.*

*President,*

Realty Capital Corp. Limited

County Savings and Loan Corporation

Federal Trust & Savings Company

Roger I. Coe, *C.A.*

*Vice-President & Treasurer,*

Realty Capital Corp. Limited

County Savings and Loan Corporation

Federal Trust & Savings Company

Consiglio Di Nino,

*Vice-President,*

Realty Capital Corp. Limited

County Savings and Loan Corporation

Federal Trust & Savings Company

Donald C. Early,

*Chairman of the Board,*

Ontario Development Corporation

Seymour Friedland, *Ph.D.*

*President,*

S.F. Research Associates Ltd.

Econocom Management Company

*Professor of Economics,*

York University

Pierre Genest, *Q.C.*

*Partner,*

Cassels, Brock, Toronto

Ralph S. McCreath, *Q.C.*

*Partner,*

Day, Wilson, Campbell, Toronto

Alderman Joseph J. Piccininni,

*Alderman,*

City of Toronto

Gerald Rose, *S.R.A.*

*Vice-President & Secretary,*

Realty Capital Corp. Limited

County Savings and Loan Corporation

Federal Trust & Savings Company

### *Officers:*

\*David S. Ades, *B.Sc., A.M.C.T., President & General Manager*

\*Gerald Rose, *S.R.A., Vice-President & Secretary*

\*Roger I. Coe, *C.A., Vice-President & Treasurer*

\*Consiglio Di Nino, *Vice-President & Assistant General Manager*

Robert A. Wormald, *C.A., Comptroller*

### *Auditors:*

Clarkson, Gordon & Co.,

*Chartered Accountants, Toronto*

### *Transfer Agent:*

National Trust Company Limited, Toronto

for County Savings and Loan Corporation

### *Bankers:*

Royal Bank of Canada

Canadian Imperial Bank of Commerce

Mercantile Bank of Canada

### *Legal Counsel:*

Cassels, Brock,

*Barristers & Solicitors, Toronto*

### *Department Managers:*

Robert A. Wormald, *C.A., Accounting*

Consiglio Di Nino, *Branches - Advertising, Promotion*

Glen H. Morrow, *Consumer Loans*

Harry H. Markner, *International*

Peter R. Simpson, *Mortgages*

Frances L. Conant, *Real Estate Sales*

P. Morgan McCague, *Securities*

\*Members of Executive Committee



## County Savings and Loan Corporation Federal Trust & Savings Company

### TRUST AND SAVINGS DIVISION OPERATIONS REPORT

In 1972, sharply improved operating performance characterized this major division consisting of County Savings and Loan Corporation and Federal Trust & Savings Company.

Total assets of the division increased to \$46,524,000, at year-end, compared to \$37,734,000 at end of 1971. Included in the 1972 figure is \$33,689,000 in mortgage loans, or about 72% of the total.

Net operating income in 1972 amounted to \$266,000, an increase of 75% over the previous year. Net income for the division, before an extraordinary gain of \$45,000 amounted to \$300,000, a gain of 18% over the corresponding 1971 figure of \$254,000. This rise in earnings was achieved although gains on the sale of securities and mortgages were considerably lower in 1972 than a year earlier.

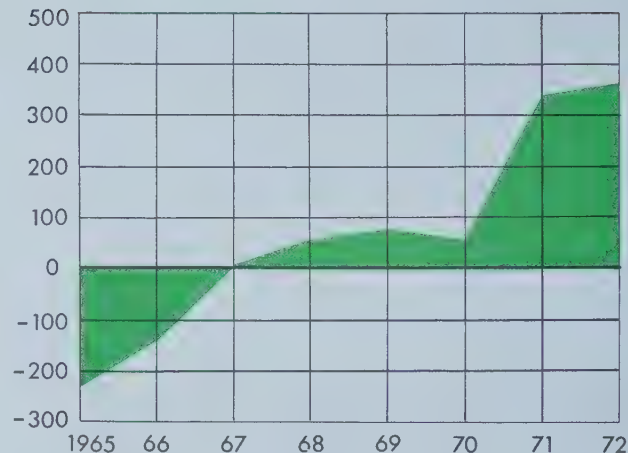
#### Department Operations

Mortgage lending continues to be the primary area of the Division's investment activities. A new section for mortgage banking has been added and two highly-qualified men hired, both with several years' experience in this field. The Division is also acting as agent for an increasing number of pension funds and

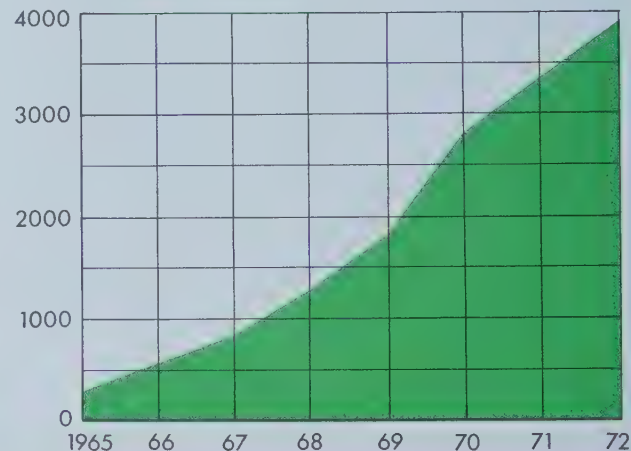
*Members of investment committee James Lorrimer (left) Roger Coe (second from right) and Morgan McCague (right) discuss factors affecting capital markets with investment dealer. Meetings of this kind with representatives of different investment firms keep management informed on trends.*



#### Net Income (Thousands of Dollars)



#### Gross Income (Thousands of Dollars)





institutions in the investment of their mortgage funds. The balance of the Division's mortgage portfolio at December 31, 1972, was \$33,689,000, an increase of 30% from the previous year.

The securities department also showed good progress in 1972. Its further development should be enhanced through the introduction of an Investment Fund in the next few months. Other types of investment funds are being considered for introduction later in the year.

Consumer and demand loans totalled \$945,000 at year end compared with \$202,000 a year earlier. This department is operating profitably with further improvement anticipated in 1973. Losses to date have been minimal.

Although no new branches were opened in 1972 total deposits and debentures increased by 24% to \$42,677,000. This reflects growth of 22% in savings and chequing deposits and 26% in debentures. Chequing and savings accounts increased in number to 15,000. There are also 5,200 debenture holders.

## New Operations

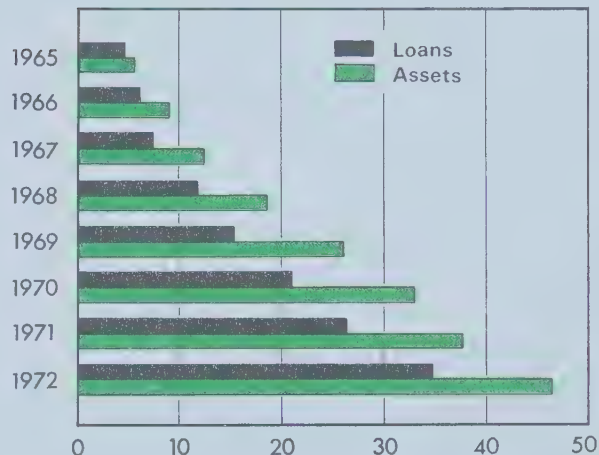
Property management and real estate sales departments have been formed, and their gradual expansion is planned through the current year.

In early 1973, a department was formed to administer registered retirement savings plans on behalf of clients. One plan, with investments in Guaranteed Investment Certificates, was successfully launched. Other plans to be instituted during the year should provide a full and varied service for the future.

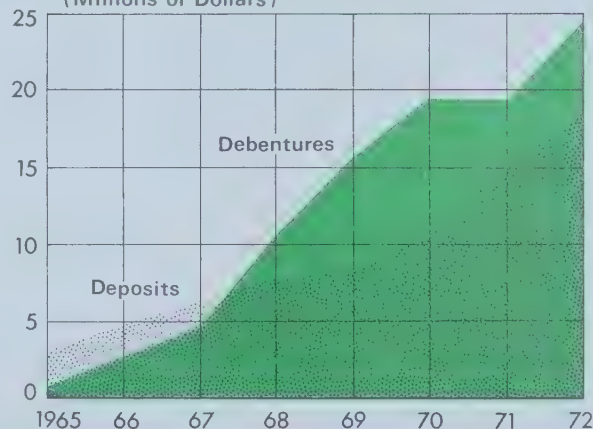
## General

The past year was essentially a period of consolidation of the component companies which now form the Trust and Savings Division. This process involved the amalgamation of the two savings and loan subsidiaries and the formation of the

## Assets and Loans ( Millions of Dollars )



## Deposits and Debentures (Millions of Dollars)





## County Savings and Loan Corporation Federal Trust & Savings Company

trust company subsidiary. In so doing, management efforts were primarily directed toward internal reorganization in preparation for future growth.

In the current year, two new branches are planned: one in Toronto and the other in Brampton. Plans for additional branch locations are presently being formulated for implementation once the two new branches are established.

We are pleased to welcome to management the following personnel: P. Morgan McCague, Investment Officer, and his assistant, James P. Lorrimer; Peter R. Simpson, Mortgage Manager; William R. Ryan, Manager of mortgage administration; Douglas J. Duncan, manager of the Head Office branch and director of Registered Retirement Savings plans; Peter J. Earle and Stanley C. Babiarz, executives in the Mortgage Banking Department; Harry H. Markner, head of the International Department; Frances L. Conant, Manager of Real Estate Sales, Pickering office; Agostino Simonetta, Manager of the 1224 St. Clair Avenue branch. All these new personnel come to the company with extensive experience in their fields.



*Above: Interior of one of six branches of Federal Trust & Savings Company. Left: Branch manager explaining details of registered retirement savings plan to a client.*



# County Savings and Loan Corporation

(Incorporated under the Loan and Trust Corporations Act of Ontario)

## Consolidated Statement of Income (note 1)

### For the Year Ended December 31, 1972

(with comparative figures for 1971)

	1972	1971
Income:		
Interest - mortgages	\$3,010,000	\$2,568,000
- deposit receipts	134,000	185,000
- consumer and demand loans	67,000	14,000
Interest and dividends on securities	529,000	434,000
Fees and commissions	35,000	88,000
Other operating	72,000	54,000
	<u>3,847,000</u>	<u>3,343,000</u>
Expenses:		
Interest - deposits and debentures	2,269,000	2,125,000
- other	28,000	12,000
Salaries, fees and staff benefits	555,000	477,000
Premises expenses (note 4)	136,000	129,000
Other operating	347,000	307,000
	<u>3,335,000</u>	<u>3,050,000</u>
Operating income before income taxes	<u>512,000</u>	<u>293,000</u>
Income taxes:		
Current	229,000	96,000
Deferred	17,000	45,000
	<u>246,000</u>	<u>141,000</u>
Net operating income	266,000	152,000
Net gain on securities and mortgages		
less applicable income taxes (1972 - \$15,000		
of which \$12,000 was deferred;		
1971 - \$88,000)	34,000	102,000
Net income before extraordinary item	<u>300,000</u>	<u>254,000</u>
Reduction in income taxes due to losses		
carried forward from prior years	45,000	84,000
Net income for the year (note 9)	<u>\$ 345,000</u>	<u>\$ 338,000</u>

(See accompanying notes to consolidated financial statements)





## County Savings and Loan Corporation

### Consolidated Balance Sheet

(note 1)

December 31, 1972

(with comparative figures at December 31, 1971)

Assets	<u>1972</u>	<u>1971</u>
Cash and bank deposit receipts	\$ <u>3,311,000</u>	\$ <u>4,060,000</u>
Securities (note 2):		
Bonds	<u>6,655,000</u>	<u>5,808,000</u>
Stocks	<u>734,000</u>	<u>594,000</u>
	<u>7,389,000</u>	<u>6,402,000</u>
Loans:		
Consumer and demand	<u>945,000</u>	<u>202,000</u>
Mortgages (note 3)	<u>33,689,000</u>	<u>25,954,000</u>
	<u>34,634,000</u>	<u>26,156,000</u>
Accounts receivable and other assets	<u>112,000</u>	<u>272,000</u>
Premises and equipment (note 4)	<u>1,071,000</u>	<u>844,000</u>
Deferred charges	<u>7,000</u>	<u>          </u>
	<u>\$46,524,000</u>	<u>\$37,734,000</u>

On behalf of the Board:

David S. Ades, *Director*

Gerald Rose, *Director*

<b>Liabilities</b>	<u>1972</u>	<u>1971</u>
Deposits and debentures (note 5):		
Demand deposits	\$18,447,000	\$15,182,000
Debentures and term deposits	<u>24,230,000</u>	<u>19,231,000</u>
	<u>42,677,000</u>	<u>34,413,000</u>
Other liabilities:		
Income taxes payable	122,000	100,000
Accounts payable and accrued liabilities	141,000	146,000
Mortgagors' tax deposits	280,000	324,000
Mortgages payable (note 6)	<u>339,000</u>	<u>170,000</u>
	<u>882,000</u>	<u>740,000</u>
Deferred income taxes	89,000	60,000
Minority interest	<u>11,000</u>	
<b>Shareholders' Equity</b>		
Capital (note 7) -		
Authorized:		
1,000,000 shares with a par value of		
\$5 each		
Issued:		
498,031 shares	2,490,000	2,212,000
Contributed surplus (note 7)	261,000	198,000
Retained earnings	<u>114,000</u>	<u>111,000</u>
	<u>2,865,000</u>	<u>2,521,000</u>
	<u>\$46,524,000</u>	<u>\$37,734,000</u>

*(See accompanying notes to consolidated financial statements)*

### Auditors' Report

To the Shareholders of  
County Savings and Loan Corporation:

We have examined the consolidated balance sheet of County Savings and Loan Corporation and its subsidiary as at December 31, 1972 and the consolidated statements of income, retained earnings and contributed surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the corporations (following the pooling of interest accounting method as described in note 1(b)) as at December 31, 1972 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
March 29, 1973

CLARKSON, GORDON & CO.  
Chartered Accountants



## County Savings and Loan Corporation

### Consolidated Statements of Retained Earnings (Deficit) And Contributed Surplus (note 1)

#### For the Year Ended December 31, 1972

(with comparative figures for 1971)

Retained Earnings (Deficit)	<u>1972</u>	<u>1971</u>
Balance (deficit), beginning of year	\$111,000	\$ (215,000)
Net income for the year	<u>345,000</u>	<u>338,000</u>
	456,000	123,000
Deduct dividends paid	<u>342,000</u>	<u>12,000</u>
Balance, end of year	<u>\$114,000</u>	<u>\$ 111,000</u>
<b>Contributed Surplus</b>		
Balance, beginning of year	\$198,000	\$ 198,000
Add:		
Amount received on the issue of shares for a consideration in excess of their par value (note 7 (a))	47,000	
Amount transferred from share capital on amalgamation (note 7 (a))	<u>16,000</u>	
Balance, end of year	<u>\$261,000</u>	<u>\$ 198,000</u>

*(See accompanying notes to consolidated financial statements)*

**Notes to Consolidated Financial Statements**  
**December 31, 1972**

**1. Principles of consolidation**

- (a) The consolidated financial statements reflect the amalgamation of County Savings and Loan Corporation and Federal Savings and Loan Corporation, effective December 31, 1972, into a continuing corporation operating under the name of County Savings and Loan Corporation. The accounts include the 99% owned subsidiary Federal Trust & Savings Company.
- (b) As the shareholders of the amalgamating corporations received shares of County Savings and Loan Corporation and as the amalgamation involved related corporations, the "pooling of interests" accounting method has been followed, whereby the assets, liabilities, capital, retained earnings and contributed surplus balances are carried forward at the net book values shown in the accounts of the individual corporations. The 1971 comparative figures (adjusted to reflect 1972 reclassifications) have been presented as if the amalgamation had been in effect throughout 1971. The carrying values of net assets of the two constituent corporations at December 31, 1972 immediately prior to the amalgamation are as follows:

	<u>Assets</u>	<u>Liabilities</u> (000 omitted)	<u>Net assets</u>
County Savings and Loan Corporation	\$12,922	\$12,143	\$ 779
Federal Savings and Loan Corporation*	33,590	31,504	2,086
Costs incurred on amalgamation not reflected in the accounts of either corporation	<u>12</u>	<u>12</u>	<u>-</u>
	<u>\$46,524</u>	<u>\$43,659</u>	<u>\$ 2,865</u>

\*Including accounts of Federal Trust & Savings Company.

- (c) The consolidated statement of income includes the following items relating to each of the amalgamating corporations for the period from January 1 to December 31, 1972:

	<u>County</u>	<u>Federal*</u>
	(000 omitted)	
Net operating income	\$111	\$155
Net gain on securities and mortgages less applicable income taxes	<u>8</u>	<u>26</u>
Net income before extraordinary item	119	181
Extraordinary item		<u>45</u>
Net income for the year	<u>\$119</u>	<u>\$226</u>

\*Including the accounts of Federal Trust & Savings Company.

- (d) The share exchange ratio was determined by the management of the corporations after giving consideration to the respective shareholders' equities, differences between book values and fair market values of certain assets, the estimated future earning capacity of each corporation and to other circumstances considered relevant to the amalgamation of the corporations. Details of the exchange ratios are as follows:

	<u>Old shares</u>	<u>Exchange ratio</u>	<u>Fully paid new shares</u>	
			<u>number</u>	<u>percentage</u>
County Savings and Loan Corporation	139,320	1:1	139,320	28.0%
Federal Savings and Loan Corporation				
- fully paid	160,160	2:1	320,320	64.3
- partly paid	29,850		<u>38,391</u>	<u>7.7</u>
			<u>358,711</u>	<u>72.0</u>
			<u>498,031</u>	<u>100.0%</u>

On exchange of fractional shares, each shareholder received a whole share in lieu of his fractional interest.





# County Savings and Loan Corporation

## 2. Securities

Bonds are stated at amortized cost plus accrued interest and stocks at cost less amounts written off. Securities held are comprised of the following:

	1972		1971	
	Book value	Quoted market	Book value	Quoted market
	(000 omitted)			
Bonds:				
Government of Canada	\$1,782	\$1,717	\$1,364	\$1,362
Provinces of Canada	3,226	3,084	2,908	2,914
Municipalities of Canada	134	126	138	131
Other	<u>1,513</u>	<u>1,418</u>	<u>1,398</u>	<u>1,253</u>
	<u>6,655</u>	<u>6,345</u>	<u>5,808</u>	<u>5,660</u>
Stocks:				
Preferred	520	485	436	420
Common	<u>214</u>	<u>204</u>	<u>158</u>	<u>136</u>
	<u>734</u>	<u>689</u>	<u>594</u>	<u>556</u>
	<u>\$7,389</u>	<u>\$7,034</u>	<u>\$6,402</u>	<u>\$6,216</u>

## 3. Mortgages

Mortgages are carried on the balance sheet at their outstanding principal amount plus accrued interest and less unamortized discounts and placement fees and allowance for losses.

Discounts and placement fees on mortgage loans are amortized using the straight-line method over the terms of the mortgages or five years, whichever is the lesser. The former Federal Savings and Loan Corporation amortized such items over the terms of the mortgages based on the sum-of-the-digits method and the amalgamated corporation will continue this practice for the unamortized balance of \$184,000 relating to the outstanding Federal mortgage loans at December 31, 1972.

## 4. Premises and equipment

	1972	1971
	(000 omitted)	
Buildings - cost	\$ 663	\$484
Furniture and equipment - cost	<u>212</u>	<u>182</u>
	875	666
Less accumulated depreciation	<u>254</u>	<u>206</u>
	621	460
Land - cost	<u>438</u>	<u>368</u>
Leasehold improvements - cost		
less amounts written off	<u>12</u>	<u>16</u>
	<u>\$1,071</u>	<u>\$844</u>

Depreciation and amortization charged against operations amounted to \$55,000 in 1972 and \$46,000 in 1971.

## 5. Deposits and debentures

Deposits and debentures are shown at their principal amount plus accrued interest.

## 6. Mortgages payable

The corporation has the following mortgages outstanding on three of its branches:

9% first mortgage maturing April 1, 1977 payable in monthly instalments of \$1,112 including principal and interest	\$124,000
9-1/2% first mortgage maturing October 30, 1977 payable in semi-annual instalments of \$7,500 plus interest	120,000
10% first mortgage due May 1, 1975 payable in monthly instalments of \$150 plus interest	<u>95,000</u>
	<u>\$339,000</u>

## 7. Share capital

- (a) The following table sets out the changes in the share capital accounts of the amalgamating corporations for the year ended December 31, 1972 and the adjustments required to the combined share capital on amalgamation:

	<u>Federal</u>	<u>County</u>	<u>Total</u>
Balance, December 31, 1971	\$1,631,350	\$580,500	\$2,211,850
Add:			
Payment on partly paid shares	178,320		178,320
Shares issued during year	<u>100</u>	<u>116,100</u>	<u>116,200</u>
Balance, December 31, 1972 before amalgamation	1,809,770	696,600	2,506,370
Deduct amount transferred to contributed surplus on amalgamation	<u>16,215</u>		<u>16,215</u>
Balance, December 31, 1972 after amalgamation	<u>\$1,793,555</u>	<u>\$696,600</u>	<u>\$2,490,155</u>
Number of shares in amalgamated corporation (see note 1(d))			<u>498,031</u>

During the year County Savings and Loan Corporation issued 23,220 shares for cash of \$162,540 and Federal Savings and Loan Corporation issued 10 shares for cash of \$110. The amounts received in excess of par value (\$46,450) have been credited to contributed surplus.

- (b) At December 31, 1972 there was an outstanding option to purchase 29,980 shares of the capital stock of the corporation at \$5.50 per share expiring June 30, 1974.

## 8. Remuneration of directors and senior officers

The aggregate remuneration paid to directors and senior officers amounted to \$130,000.

## 9. Earnings per share

	1972	1971
	Fully diluted Earnings per share	Earnings per share
Net operating income	59.4¢	34.4¢
Net securities gain	7.6	23.0
Net income before extraordinary item	67.0	57.4
Extraordinary item	10.0	19.0
Net earnings for the year	77.0¢	76.4¢

Earnings per share are calculated using the cumulative weighted average number of shares that would have been outstanding if the corporations had been amalgamated throughout the period.

Fully diluted earnings per share show the effect on earnings per share which would result if the outstanding share options had been exercised at the beginning of the year. For the purpose of this calculation, earnings of \$7,000 have been imputed at an after tax rate of 4%.

## 10. Commitments

At December 31, 1972 the corporation had mortgage commitments totalling approximately \$4,000,000.



## Federal Trust & Savings Company

(Incorporated under the Loan and Trust Corporations Act  
of Ontario on October 4, 1972)

### Balance Sheet

December 31, 1972

### Assets

Cash and bank deposit receipt		\$ 410,000
Bonds at amortized cost plus accrued interest:		
Government of Canada (quoted market \$339,000)	339,000	
Province of Canada (quoted market \$246,000)	<u>246,000</u>	585,000
Due from parent company, County Savings and Loan Corporation		9,000
Accounts receivable		1,000
Deferred charges (note)		<u>7,000</u>
		<u>\$1,012,000</u>

Note: Deferred charges will be amortized on a straight-line basis over 3 years commencing in 1973.

On behalf of the Board:

David S. Ades, *Director*

Gerald Rose, *Director*

## Liabilities

Accounts payable	\$ 5,000
Income taxes payable	<u>3,000</u>
	<u>8,000</u>

## Shareholders' Equity

Capital —	
Authorized:	
1,000,000 shares with a par value of \$5 each	
Issued:	
200,000 shares issued for cash	1,000,000
Retained earnings	<u>4,000</u>
	<u>1,004,000</u>
	<u>\$1,012,000</u>

## Auditors' Report

To the Shareholders of  
Federal Trust & Savings Company:

We have examined the balance sheet of Federal Trust & Savings Company as at December 31, 1972 and the related statement of income and retained earnings for the period from incorporation October 4, 1972 to December 31, 1972. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations for the period then ended, in accordance with generally accepted accounting principles.

Toronto, Canada,  
March 29, 1973.

CLARKSON, GORDON & CO.,  
Chartered Accountants





## Federal Trust & Savings Company

### Statement of Income and Retained Earnings For the Period October 4, 1972 to December 31, 1972

Income from securities	\$9,000
Operating expenses	<u>3,000</u>
	6,000
Income taxes	<u>3,000</u>
Net operating income	3,000
Securities gain less applicable income taxes of \$1,000	<u>1,000</u>
Net income for the period and retained earnings at December 31, 1972	<u><u>\$4,000</u></u>



## County Savings and Loan Corporation

### Consolidated Eight Year Summary <sup>†</sup>

(in thousands of dollars except  
per share figures)

	1972	1971	1970	1969	1968	1967	1966	1965
Balance Sheet:								
Total Assets	\$46,524	\$37,734	\$32,995	\$26,099	\$18,580	\$12,499	\$9,133	\$5,744
Deposits and Investment								
Certificates	\$42,677	\$34,413	\$29,764	\$23,669	\$16,488	\$10,598	\$7,216	\$3,430
Shareholders' Equity	\$ 2,865	\$ 2,521	\$ 2,195	\$ 1,945	\$ 1,870	\$ 1,814	\$1,838	\$1,917
Earnings:								
Total Income	\$ 3,847	\$ 3,343	\$ 2,881	\$ 1,801	\$ 1,289	\$ 809	\$ 543	\$ 283
Net Operating Income (Loss)	\$ 266	\$ 152	\$ 38	\$ 38	\$ 33	\$ (19)	\$ (142)	\$ (228)
Net Income (Loss) for the year	\$ 345	\$ 338	\$ 52	\$ 75	\$ 55	\$ 2	\$ (142)	\$ (228)
Per share:								
Net Operating Income (Loss)	\$ 0.59	\$ 0.34	\$ 0.09	\$ 0.09	\$ 0.08	\$ (0.05)	\$ (0.35)	\$ (0.56)
Net Income (Loss) for the year	\$ 0.77*	\$ 0.76	\$ 0.12	\$ 0.18	\$ 0.14	NIL	\$ (0.35)	\$ (0.56)

<sup>†</sup>County Savings and Loan Corporation and Federal Savings and Loan Corporation were amalgamated in 1972. The above table reflects the position as it would have been if the corporations had been amalgamated for the full eight year period.

\*Based on weighted average number of shares outstanding during the year.



**Consolidated  
Eight Year Summary**

(in thousands of dollars except per share figures)

	1972	1971	1970	1969	1968	1967	1966	1965
Total income	\$ 4,801	\$ 3,530	\$ 1,208	\$ 545	\$ 468	\$ 384	\$ 355	\$ 276
Cost of borrowing	2,451	1,859	585	159	152	155	167	128
	2,350	1,671	623	386	316	229	188	148
Operating expenses	1,246	1,000	450	171	132	100	79	63
Earnings before taxes	1,104	671	173	215	184	129	109	85
Provision for taxes	507	313	92	109	88	57	47	34
Earnings after taxes	597	358	81	106	96	72	62	51
Extraordinary item	45	-	-	-	-	-	-	-
Adjustments*	-	-	-	10	5	3	(7)	(7)
Net earnings	\$ 642	\$ 358	\$ 81	\$ 116	\$ 101	\$ 75	\$ 55	\$ 44
Number of shares								
outstanding:								
Class A	533,946	306,375	306,375	306,375	30,500**	30,000**	30,000**	30,000**
Common	174,400	174,400	174,400	174,400	174,400**	174,400**	174,400**	174,400**
Dividends per share:								
Class A	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.15	\$ 0.15**	\$ 0.15**	\$ 0.15**	\$ 0.15**
Common	0.20	0.20	0.20	-	-	-	-	-
Earnings per share:								
Class A	1.02	0.74	0.20	0.28	0.49**	0.37**	0.27**	0.21**
Common	1.02	0.74	0.11	0.28	0.49**	0.37**	0.27**	0.21**
Fully diluted earnings								
per share:								
Class A	0.71	0.49	0.20	0.23	0.30**	-	-	-
Common	0.71	0.49	0.06	0.23	0.30**	-	-	-
Shareholders' equity*	\$ 3,457	\$ 2,073	\$ 1,812	\$ 1,827	\$ 731	\$ 632	\$ 562	\$ 512
Mortgages receivable	36,842	28,580	9,556	3,323	2,549	2,478	2,938	2,944
Real Estate	3,631	3,642	3,350	3,001	391	461	62	
Total assets*	53,356	44,389	15,559	6,739	3,258	3,245	3,379	3,240

\* Adjusted for company's share in earnings (losses) of County Savings and Loan Corporation

\*\* Adjusted for 2 for 1 split in January, 1969



## Realty Capital Corp. Limited

### *Subsidiaries:*

County Savings and Loan Corporation  
Federal Trust & Savings Company  
Commodore Investments Limited  
Warchester Investments Limited  
Realty Capital Investments (Central) Limited  
Edenhurst Developments Limited

### *Branch Offices of County Savings and Loan Corporation Federal Trust & Savings Company*

141 Yonge Street, Toronto  
605 Danforth Avenue, Toronto  
950 St. Clair Avenue West, Toronto  
1850 Eglinton Avenue West, Toronto  
1224 St. Clair Avenue West, Toronto  
2070 Danforth Avenue, Toronto

### *Services and Functions:*

Savings Accounts  
Chequing Accounts  
Current Accounts  
Guaranteed Investment Certificates  
Debentures  
Short-term Deposits  
Safety Deposit Boxes  
Safe Keeping  
Foreign Exchange  
Money Orders  
Travellers Cheques  
First Mortgage Loans  
Consumer and Personal Loans  
Mortgage Management  
Mortgage Banking  
Interim Construction Loans  
Secondary Mortgage Financing  
Registered Retirement Savings Plans  
Real Estate Sales  
Real Estate Appraisals  
Real Estate Management  
Personal Investment Management

### *Head Office:*

141 Yonge Street, Toronto



